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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON SUSTAINABLE ENERGY**

Steering Committee of the Energy Efficiency 21 Project  
Fifteenth session, 24-26 May 2004

**REPORT ON THE MEETING**

**I. ATTENDANCE**

1. The Steering Committee of the Energy Efficiency 21 Project (EE21) was attended by representatives from Albania, Belarus, Bulgaria, Czech Republic, France, Hungary, Italy, Republic of Moldova, Norway, Russian Federation, Switzerland, The former Yugoslav Republic of Macedonia, Ukraine, and the United States of America.
2. Representatives of the United Nations Development Programme (UNDP) Belarus Country Office, and the following intergovernmental organizations and non-governmental organizations were in attendance: European Investment Bank (EIB), ETA-Renewable Energies, European Biomass Industry Organization (EUBIA), Centre for Energy Efficiency (EnEffect) of Bulgaria, and European Renewable Energies Federation (EREF).
3. In addition, the companies Battelle – Pacific Northwest National Laboratory, Belinvestenergoberezhenic Consulting Company, CDC IXIS, Energy & Communications Solutions LLC, ENSI Energy Saving International AS, Factor Consulting + Management AG, INTRASCOP SA, OTP Bank Ltd, Renaissance Finance International Ltd, and RUSDEM - Energoeffect were in attendance.

## II. OPENING SESSION

4. The fifteenth annual meeting of the Steering Committee was held in conjunction with the Special Working Session on Renewable Sources of Energy, which took place on 25-26 May 2004 (ENERGY/WP.4/2003/8). The meeting was opened with a statement by Mr. George Kowalski, Director of the UNECE Industrial Restructuring, Energy and Enterprise Development Division (IREED), who noted that the Energy Efficiency 21 (EE21) project predated the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, where world leaders committed themselves to establish national programmes for promoting energy efficiency with the support of international community. He underlined how the EE21 Project was designed to contribute to the United Nations overall programme in this field including the development of carbon trading from energy efficiency investments. The recent three-year phase of the EE21 Project (2000-2003) has been successfully completed and significant results are now beginning to emerge contributing to the formation of a market for energy efficiency in Central and Eastern Europe and Central Asia. At present, the World Bank and other investors have approved some US\$ 9 million of investments for implementation. An additional US\$ 15 million of investments are under negotiation with the City of Moscow, Russian Federation. The total value of business plans developed during this last phase was about US\$ 60 million. Mr. Kowalski informed the Steering Committee that he had in February 2004 appointed Mr. Gianluca Sambucini, IREEDD, as a Project Manager of the EE21 Project in February 2004.

5. The Chairman of the Steering Committee, Mr. Bernard Laponche introduced the orientation of the EE21 Project outlining the natural progression and transition of the project, with the need to put greater emphasis on financing issues. He indicated the main difficulties in financing energy efficiency projects, and briefly presented the work done by the Bureau and the secretariat for the creation of one or more investment funds based on public-private partnership and linked with the EE21 Project, taking advantage of its network, experts, training and support activities. He mentioned to work done during the Bureau meetings of 3 December 2003 and 11 February 2004 to discuss and analyse proposals for the creation of investment funds or financing mechanisms; detailed proposals were presented by four different fund management groups. The Chairman stressed that the secretariat supported by the Bureau worked for the last three years on the development of both components of the project, technical assistance and the investment fund.

6. In concluding the Opening Session, the Chairman speaking on behalf of the Steering Committee, formally accepted the "Climate is Business e-Ward 2003" accorded to the Energy Efficiency 21 Project by the European Business Council for a Sustainable Energy Future (e5) and the Business Council for Sustainable Energy (USA). The industry award was received by Mr. Zdravko Genchev, Vice Chairman of the EE21 Project at a ceremony during the ninth United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP-9) in Milan in December 2003. The "Climate is Business e-Ward" was conferred to the EE21 Project in recognition of its contribution to climate change mitigation through energy efficiency projects in Eastern Europe and the Russian Federation. The European Business Council for Sustainable Energy represents 120 companies from the renewable energy, energy efficiency, gas, telecommunications and public transport sectors. Members include SONY International, Deutsche Telekom, Deutsche Bahn AG, Essent or Ecofys. The e-Ward was sponsored by Deutsche Telekom AG, Ecofys, Essent Durzaam (NL) and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety.

### **III. ADOPTION OF THE AGENDA (Agenda item 1)**

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7. The agenda was adopted.

### **IV. ELECTION OF OFFICERS (Agenda item 2)**

8. Mr. Bernard Laponche (France) was elected Chairman; Messrs. Trond Dahlsveen (Norway), Zradvko Genchev (Bulgaria), Boris Reutov (Russian Federation), Thomas Sacco (United States of America) and Ms. Milena Presutto (Italy) were elected Vice-Chairmen.

### **V. PRESENTATIONS ON THE ENERGY EFFICIENCY 21 PROJECT IMPLEMENTATION (Agenda item 3)**

9. An overview of recent activities and developments of the EE21 was provided by the secretariat. Activities include developing carbon emissions trading standards, promoting energy policy reforms and encouraging sound business practices. In particular, the secretariat underlined the importance of enhancing regional cooperation for energy efficiency market formation, as well as the need to secure funding for new projects that are aimed at reducing CO2 emissions. Recent developments in EE21 include the release of nine new publications, including four CD-ROMs on issues related to financing, investment and development of energy efficiency in the UNECE region. In addition, EE21's website for information exchange averaged 990 hits a day in April 2004 with peaks in usage pattern related to EE21 meetings.

10. Mr. Trond Dahlsveen from Energy Saving International AS (ENSI), Norway and Vice-chairman of the Steering Committee, gave a presentation entitled "Norwegian Cooperation Programmes in 15 Central and Eastern Europe and CIS countries". The Norwegian Energy Efficiency Group (NEEG) has established Energy Efficiency Centres throughout Central and Eastern Europe, including five in the Russian Federation. Their aim is local capacity building for energy efficiency and clean production projects. The Centres' strategy is to: (i) develop networks; (ii) disseminate information; (iii) establish demonstration projects; (iv) educate and train the workforce to create local specialists in modern energy efficiency and clean production methods; (v) transfer new technologies to the region; and (vi) assist with project financing. NEEG methods have proven successful. In Bishkek (Kyrgyzstan), for example, NEEG helped the "Republican Children's Hospital" to realize US\$ 16,700 in net annual savings from a US\$ 30,000 investment. The majority of the savings came from installing an automatic control system. Simpler means, however, like insulating hot-water pipes and establishing efficient washing routines, also contributed.

11. Ms. Milena Presutto from the Italian National Agency for New Technologies, Energy and Investment (ENEA) and Vice-Chairman of the Steering Committee spoke about the impact of energy efficiency standards and labels for major household appliances. The primary instruments for developing these standards and labels come from European Union (EU) legislation, which has been dealing with cold appliances and washing machines since 1994, and voluntary industry agreements. Voluntary agreements advance industry standards by facilitating the gradual

production phase-out of less energy efficient appliances, which are then replaced by more efficient ones. These agreements, as well as mandatory labelling and efficiency standards, have been effective tools for improving the energy efficiency of cooling and washing appliances in the EU.

12. Mr. Zdravko Genchev from EnEffect, Bulgaria, and Vice-Chairman of the Steering Committee, showed a film about the success of an energy efficiency demonstration zone in the Bulgarian city of Gabrovo. Bulgaria, in particular, has made considerable progress in capacity building, market formation and investment in energy efficiency. The film helped give a human face to what effective finance, economics, policy and technology in energy efficiency ultimately achieve: increased living standards and quality of life.

13. Mr. Boris Reutov of the Ministry of Education and Science of the Russian Federation, and vice-Chairman of the Steering Committee, presented a short film on a US\$ 3 million project financed by GEF/UNDP. This is one of the ten films produced to present different experiences of energy efficiency development in the Russian Federation.

14. Mr. Laszlo Molnar from the Hungarian Energy Centre, Budapest, gave a presentation about energy saving potential in UNECE countries, with a special emphasis on Hungary. The energy savings potential (ESP) of a particular sector or enterprise is difficult to calculate because the results depend on highly volatile factors like energy prices, taxes, and labor costs. Three methodological issues from this volatility were mentioned. Firstly, in calculating and interpreting ESPs, only "economic" potential, as opposed to "technical" potential, provides sound investment guidance. This is because "economic" ESP accounts for the relative value of energy savings in market conditions, while "technical" ESP merely represents the absolute potential of technology. Secondly, transnational comparisons must adjust for differing economic systems, relative fuel and technology reliance, and electricity consumption patterns. Thirdly, transnational comparisons must use common "benchmark" indicators like those used in the EU15. If the proper adjustments are made, ESP calculations become an essential tool for making profitable energy efficiency investments in market conditions. In addition to discussing methodology, Mr. Molnar shared the valuable lessons from Hungary's experience with Energy Efficiency Funds. He concluded by saying that the end use EE improvements should precede any supply-side efforts while EE investment gives a greater return in CO<sub>2</sub> reduction than renewable energy investments.

15. Ms. Eva Weöres, financial consultant on energy efficiency and environmental projects for the National Savings Bank (OTP Bank), Hungary, gave a presentation entitled "The Role of the OTP Bank in Energy Efficiency, including renewable sources of energy and ESCO financing". OTP is the largest commercial bank in Hungary and is quite active in energy efficiency (EE) and renewable energy source (RES) financing. It has been cooperating with the EE21 Project since 1994 and recognizes CO<sub>2</sub> carbon emissions quotas as equity participation for purposes of qualifying for project financing. OTP also has extensive experience in financing energy service company (ESCO) projects. It mitigates the risks of ESCO financing with a variety of collection mechanisms and project requirements. For example, a prospective project must be supported by sound economic analysis that identifies sufficient energy savings to cover debt repayment. OTP also supports self-financing projects and ESCO projects that are a part of a cluster of similar projects in order to increase scale and risk- diversification. Furthermore it secures preferential debtor status as well as the right to collect energy savings directly from project municipalities.

Finally, OTP uses IFC-GEF guarantees to further mitigate the risk of financing ESCO projects.

16. The debate was also extended by the Chairman to issues of socio-economic concern (e.g. poverty), security and environment as main pillars for an integrated approach to energy efficiency. The issue of transport as a problem for climate change has been raised as a potential area of future work of the energy efficiency project. Several participants mentioned that future EE21 work would have to consider the awareness of limited resources and therefore focus on priority needs. Mrs. Dörte Fouquet, representative of the European Renewable Energies Federation (EREF), outlined the need to strengthen the link between activities on energy security and those related to energy efficiency and renewables.

#### **VI. PRESENTATION OF THE NEXT THREE-YEAR PHASE OF THE ENERGY EFFICIENCY 21 PROJECT (Agenda item 4)**

17. The secretariat offered an outlook on the next phase of the EE21 Project, up to the year 2006. The most important issues for the future are carbon emissions trading standards, energy efficiency finance, policy reforms and sound business practices. To effectively promote these areas, funding for the EE21 Project must be secured. The secretariat explained in detail how the United Nations Foundation (UNF), the UN Fund for International Partnerships (UNFIP), the French Ministry of Foreign Affairs (MAE), the French Global Environment Facility (FFEM), and the Global Environment Facility (GEF) might contribute to its funding. The Bureau and the secretariat will continue their efforts to develop the Project Plan 2003-2006 including a financing mechanism or investment fund by working with supporting institutions and fund management teams. The projects operations for the new phase begin upon completion of the Project Plan and the provision of adequate resources by supporting institutions. To this end the UNECE work will continue with all partners, including the UNF, UNFIP, French Global Environment Facility, Norwegian Government, Italian Government, United States Environmental Protection Agency (US EPA), United States Department of Energy (US DOE), United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP), Global Environment Facility (GEF), and Regional Network for the Efficient Use of Energy and Water Resources (RENEUER). Project operations can start in January 2005 according to the availability of funding.

#### **VII. PRESENTATION ON THE REGIONAL NETWORK FOR THE EFFICIENT USE OF ENERGY AND WATER RESOURCES (RENEUER) (Agenda item 5)**

18. Mr. Zdravko Genchev gave a second presentation that overviewed the past and current activities of the RENEUER. In the last year, RENEUER has organized several events, for example a training seminar on carbon trading, a regional seminar on strategic energy planning, as well as a regional conference on how energy efficiency can help low-income households. The focal areas of RENEUER for the next years will include local energy planning, the development of financial instruments - especially Public-private partnerships and third party financing schemes - and the promotion of renewable energy resources. Concerning renewable energy, Mr. Genchev stressed the importance of biomass, which has the potential to stimulate immediate economic effects for municipalities. A special tribute was given to the support provided by UNECE, USAID, USDOE, Norway and France to RENEUER.

19. Mr. Ira Birnbaum, Team Leader for Energy Efficiency, Clean Energy and Global Climate Change of the USAID stated that the USAID would remain interested in supporting RENEUER work. In South-east Europe, USAID will continue supporting local (municipal) energy planning, projects for low-income households, heating system restructuring, financial instruments, public-private partnerships and third party financing schemes. USAID will strengthen efforts to promote energy efficiency, continuing to support the Development Credit Authorities (DCA) mechanism to provide guarantees to ESCOs and municipalities, and the Balkan Investment Development (BID) Facility for feasibility studies for infrastructure projects in South-east Europe. The USAID activities are mainly: (i) capacity building (emphasis on e-learning); (ii) information dissemination (emphasis on web site and clearinghouse development); (iii) Project Pipeline Development (with emphasis on the most typical municipal projects).

#### **VIII. SPECIAL WORKING SESSION ON RENEWABLE SOURCES OF ENERGY** (Agenda item 6)

20. A special working session dedicated to Renewable Energy Sources (RES) was opened with a general overview on renewable energies in the UNECE region, presented by the secretariat, IREED (ENERGY/2003/1). According to the overview, the Kyoto Protocol commitments, the Johannesburg Implementation Plan, and the Ministerial Conference "Environment for Europe" (Kiev, Ukraine, May 2003) provided a political impetus to renewable energy sources in the UNECE region. Difficulties remain, however, concerning the different definitions among agencies about the scope of RES. Data collection needs to be harmonized at both, national and international level. In addition, the potential for RES needs comprehensive evaluation. According to this paper, great potential exists for biomass, wind, thermal solar and photovoltaic, while only limited potential can be ascribed to hydropower and geothermal energy sources. Currently, RES represent 5 per cent of total primary energy sources, of which 85 per cent stem from biomass and hydropower. Although electric power generated from renewable energies (RES-E market) is growing at an annual rate of between 7 per cent for solid biomass, and up to 35 per cent for wind power, most RES remain largely uncompetitive, with the qualified exception of on-shore wind and biomass. Only if costs decrease further and trade barriers for biomass are removed, RES could gain competitiveness. The importance of policy support and policy enforcement was also underlined by the secretariat, especially in transition economies. Policy instruments such as tax exemption and reduction, tax refunds, investment aid, direct price support schemes, and green certificates may enhance the RES market and meet EU average growth targets. UNECE can foster this development by providing technical assistance to transition economies. By including a RES component in the programme of work of the Committee on Sustainable Energy, UNECE would establish a regular programme on renewables, following the example of other UN regional commissions that have already established such programmes.

21. Mr. Maxim Vergeichik and Mr. Vladimir Voitekhovich presented the integrated approach of the UNDP Climate Change Projects in Belarus which has four essential components. Firstly, local energy centres must be established with GEF and ECE financing in order to build local capacity to utilize EE investment. Although the opportunities and financing are available, local capacity to take advantage of them is impeded by (i) limited awareness of opportunities among energy sector management; (ii) limited experience in assessment of energy efficiency business proposals; (iii) no systemic corporate or personal incentives for energy efficiency; and (iv) no EE reinvestment mechanisms. Local capacity building energy centres can effectively remove these

constraints. The second component is the completion of the necessary documents and technical work for Belarus' accension to the Kyoto Protocol. The third component – Belarus must restore peat lands that, in their current state, emit high levels of CO<sub>2</sub>. Finally, it is essential to stimulate growth in the wood waste biomass industry by providing a revolving fund with GEF and UNECE resources. The use of biomass in conjunction with the other components of the UNDP-Belarus project has the potential to significantly decrease CO<sub>2</sub> emissions.

22. Energy security, supply, and environmental constraints are urgent problems that must be addressed. According to Mr. Norbert Vasen, European Biomass Association, the greater use of biomass might be an option to cope with these worldwide problems. Biomass is CO<sub>2</sub> neutral and includes no other pollutants like SO<sub>2</sub>. In addition, it covers the whole energy market – heat and power, transport, fuel and chemical markets. Mr. Vasen reported on several biomass projects, such as a Romanian bioethanol project that has great potential to be replicated because ethanol is a world commodity.

23. Biomass might also have a great potential in Czech Republic as Mr. Miroslav Stary, Ministerial Counsellor of the Ministry of Industry and Trade, Czech Republic, explained. Besides the use of biomass, reasonable potential exists in the Czech Republic for investors in wind energy over a short-term period, whereas the potential of solar and geothermal energy can be exploited in a long-term period. In 2003, the share of RES in the country's energy mix amounted to only 2.64 per cent. This share should be enlarged, aiming at 8 per cent for gross electricity consumption in 2010 and 16-17 per cent in 2030. A National Programme of RES promotes this development by combining the financial sources of the public, foreign and banking sector. Concerning public financial sources, budget sources from the three ministries of Industry and Trade, Agriculture, and Transport provide finance. Furthermore, extra budgetary sources include the National Environmental Fund and the National Fund for Housing Development. In addition to the development of RES, the Czech energy policy also includes maximization of energy efficiency.

24. Mr. Boris Reutov of the Ministry of Education and Science of the Russian Federation, presented the work done within the Russian Programme for Renewable Energy. Many federal, regional, and international projects have been carried out successfully. The GEF/World Bank Project, still at a preliminary stage in 2004, aims at establishing a favourable investment environment for renewables through financial, information, and institutional support. The project will establish financial mechanisms for investments in renewables. Other important parts of the project will be training and information dissemination along with the development of demonstration projects throughout Russia. As Mr. Reutov pointed out, there are already several examples of RES projects in the Russian Federation, including biomass utilization, wind and hydrogen plants, as well as geothermal power plants. In addition, commercial projects using private capital, such as the Unified Energy System (UES) of Russia Programme for the Development of Wind Power, helped to establish plants in the Chukotka region. Finally, multiple energy efficiency projects for residential buildings and schools have succeeded. Mr. Reutov also presented further RES project proposals, which will be implemented between 2003 and 2010 in several regions including the Yaroslav and Rostov regions.

25. The importance of combining energy efficiency and renewables was stressed in the presentation of Mr. Deltcho Vitchev, RFI Renaissance Finance International Ltd., United Kingdom. He began his presentation, entitled "Energy Efficiency and Renewables: Same Goal

by Different Financial Means,” by asserting that renewable energy sources and energy efficiency share the same general goal: to reduce GHG emissions. Nevertheless, they differ in terms of project size and structure, have different assumptions about the displacement of fossil fuels, concern different markets and different sponsors, and consequently call for different financial requirements. Also, generally speaking, renewables are capital intensive, exhibit a relatively low IRR, and require relatively long term finance as well as compulsory purchase agreements or preferential tariffs. Energy Efficiency, on the other hand, is often not capital intensive and leads to high returns, but requires strong corporate balance sheets, external guarantees, and third party finance. Although both measures differ from the investor’s point of view, they can, and should, be combined into one fund to balance long and short- term equity portfolios.

26. The subsequent presentations focused on how to finance renewable energy investment projects. Mr. Henry Marty-Gauquié from the European Investment Bank (EIB) presented “EIB Initiatives for Reducing GHG Emissions by Promoting Renewable Energies.” He pointed out that the prevention of climate change would be the main ecological problem of our century. Thus, all public, industrial, and financial forces should be bundled to use the resulting synergies. The EIB will contribute by enhancing the allocation of loans to RES projects and related R&D activities. In addition, a climate change initiative will be set up between 2004-2006 providing finance and technical assistance.

27. According to Mr. Thomas Stetter from Factor Consulting & Management AG, Switzerland, most renewable energy projects in the UNECE transition countries will have difficulty in attracting international investments. From a commercial investor’s point of view, the IRR, including international transaction costs, should be greater than 15 percent. Also, annual CER production should be more than five tonnes of CO<sub>2</sub> per 1000 US\$ invested. Furthermore, project bundling might be a solution for successfully promoting renewable energy projects when a single project does not exhibit economies of scale. Additionally, public-private partnerships can foster those projects that are not commercially attractive, for purposes of capacity building, guarantee schemes, CER purchase agreements, and seed money.

28. Ms. Pascale Thevenoux of CDC ISIS, France, explained that by including a public investor, it is possible to accept more risks. She presented the Fonds d’Investissement de l’Environnement et de la Maîtrise de l’Energie (FIDEME) which is a EU approved public-private initiative for environment and energy efficiency dedicated to the development of new financing concepts. The sponsors of FIDEME are the Agence de l’Environnement et de la Maitrise de l’Energie (ADEME) and several retail and investment banks. One-third (“A shares”) of the 45,720,000 Euro fund is underwritten by ADEME. Two-thirds (“B shares”) are backed by European investors. FIDEME is dedicated to financing projects based on proven technologies and improving the environment. It is not designed to bring in equity. In the investment process, CDC ISIS first checks the eligibility of the projects, on which ADEME gives its opinion. In a second step, CDC ISIS analyses the projects according to a strict project finance risk analysis, before deciding on the investment.

29. The secretariat summarized UNECE’s targets in energy efficiency and renewable energies. It could contribute to an increase in the market share of RES in the current energy mix by promoting RES market formation and the development of RES investment projects for UNECE transition economies. Thus, UNECE could help reach its ultimate objective of reducing GHG emissions. In pursuit of this strategy, UNECE supports regional partnership networks. To

secure the success of RES related projects, it is important to identify and promote best practices as well as foster investment opportunities. Finally, public awareness about RES needs to be increased, especially in Eastern and South-Eastern Europe and CIS countries.

## **IX. OTHER BUSINESS** (Agenda item 7)

30. During the session, the following UNECE Energy Publications recently issued and forthcoming were discussed. The publications are available on request by contacting the secretariat.

Recently Issued ECE Energy Series:

- (a) No. 18: East West Energy Efficiency Standards and Labels, UN e-Book, ECE/ENERGY/45;
- (b) No. 19: New Energy Security Threats, CD Rom;
- (c) No. 20: Carbon Emissions Trading Handbook, UN e-Book, ECE/ENERGY/51;
- (d) No. 21 Reforming Energy Prices and Subsidies, ECE/CEP/121, ECE/ENERGY/54;

New Issues of ECE Energy Series:

- (e) No. 22 Experience of International Organizations in Promoting Energy Efficiency – Belarus, ECE/ENERGY/55;
- (f) No. 23 Experience of International Organizations in Promoting Energy Efficiency – Bulgaria, ECE/ENERGY/56;
- (g) No. 24 Experience of International Organizations in Promoting Energy Efficiency – Kazakhstan, ECE/ENERGY/57;
- (h) No. 25 Experience of International Organizations in Promoting Energy Efficiency – The Russian Federation, ECE/ENERGY/58;
- (i) No. 26 Experience of International Organizations in Promoting Energy Efficiency – Ukraine, ECE/ENERGY/59;
- (j) No. 27: Energy Efficiency Policies and Measures in Europe, CD Rom, ECE/ENERGY/60;
- (k) No. 28: Financing Energy Efficiency and Climate Change Mitigation: A Guide for Investors in Belarus, Bulgaria, Kazakhstan, the Russian Federation and Ukraine. CD Rom ECE/ENERGY/61;
- (l) No. 29: Energy Security Risks and Financial Markets, CD Rom, ECE/ENERGY/62;
- (m) No. 30 Financing Energy Efficiency Investment Projects, CD Rom, ECE/ENERGY/63;
- (n) Proceedings of the Seminar on Financing Energy Efficiency Investments;
- (o) Energy Efficiency Investment Project Business Plans.

## X. CONCLUSIONS AND RECOMMENDATIONS (Agenda item 8)

31. After discussion, the Steering Committee:

- (a) Noted that the elected Bureau and the Steering Committee provide UNECE member States with an appropriate region-wide strategy to address commitments undertaken within the framework of the UNFCCC and the UNECE and maintain the coordination needed to eliminate any overlapping or duplication of effort with the programmes of other international institutions and agencies;
- (b) Welcomed in particular the support and participation of the United Nations Foundation, Government of France, Government of Norway, Government of Italy, European Commission SAVE Programme, United States Department of Energy, USAID, and Alliance to Save Energy MUNEE Project in the implementation of project activities;
- (c) Noted with appreciation that the Bureau of the Project had made significant efforts to develop the Project Plan 2003-2006 including a financing mechanism or investment fund by working with supporting institutions and fund management teams to implement the decisions of taken at the fourteenth session of the Steering Committee;
- (d) Welcomed the decision of the Advisory Board of the United Nations Fund for International Partnerships to recommend the project proposal 'Financing Energy Efficiency Investments for Climate Change Mitigation' for funding to the United Nations Foundation for consideration during its June 2004 Board Meeting;
- (e) Expressed appreciation to the French Ministry of Foreign Affairs, French Global Environment Facility (FFEM), United Nations Environment Programme (UNEP) Global Environment Facility (GEF), United States Environment Protection Agency (EPA), USAID, US Department of Energy, Norwegian Ministry of Foreign Affairs, Vekst Foundation, European Business Congress (EBC), Italian Ministry of Foreign Affairs and Italian Ministry of Finance and Economy for considering their participation in financing, co-financing or 'in kind' contributions for the project, to the UN/ECE secretariat for project management and assistance to member States in the implementation of the project;
- (f) Endorsed the recommendations of the Bureau concerning the development of the Project taken during its meetings held on 2-3 December 2003 (ENERGY/WP.4/2003/12) and 9-11 February 2004 (ENERGY/WP.4/2004/2);
- (g) Welcomed the proposals to establish a financing mechanism and/or investment funds in relation to the Energy Efficiency 21 Project for energy efficiency and renewable energy investments by the Swiss Reinsurance Company (Swiss Re); Conning Asset Management; TCW Energy and Infrastructure Group; Commonwealth Bank of Australia (CBA); Caisse des Dépôts et Consignations Group-(CDC) IXIS; Energy and Communications Solutions LLC;
- (h) Requested the Bureau and the secretariat to prepare a complete Project Plan (2003-2006) based on the draft proposal (ENERGY/WP.4/2003/4) for a second three-year phase of the

Energy Efficiency 21 Project including a financing mechanism or Fund following the approval of proposals to donors, co-financing partners and potential Fund participants;

- (i) Requested the Bureau and the secretariat to explore how the efficient use of energy in the transport sector could be integrated into the Energy Efficiency 21 Project based on the guidance of delegations and to report to the Steering Committee at its next session;
- (j) Recommended that the draft Project Plan 2003-2006:
  - (i) reflect a broader range of priorities in its General and Immediate Objectives notably including economic and social development, energy security and environmental concerns beyond those of the UNFCCC;
  - (ii) provide for a wide range of mechanisms to implement climate change mitigation strategies;
  - (iii) promote the efficient use of energy when considering the introduction of renewable energy sources to improve the energy mix;
  - (iv) expand the traditional Energy Efficiency 21 Project activities such as technical assistance, capacity building, training, institutional and policy reform so that these complement the activities of the investment fund managers;
- (k) Requested project operations for the new phase (2003-2006) begin upon the completion of the Project Plan and the provision of adequate resources by supporting institutions.

32. On Item 5 (Regional Network for the Efficient Use of Energy and Water Resources - RENEUER) after discussion, the Steering Committee:

- (a) Welcomed the progress achieved under the RENEUER project and the contribution of supporting institutions and the project secretariat at EnEffect to the implementation of project activities;
- (b) Expressed appreciation for the support and participation in the project provided by the Government of France, Government of Norway, Government of the Czech Republic, UNECE, USAID Municipal Network for Energy Efficiency (MUNEE) project implemented by the Alliance to Save Energy, US Department of Energy;
- (c) Noted with satisfaction the results of the RENEUER training session on Carbon Trading and Financing Energy Efficiency Investments hosted by EnEffect in October 2003;
- (d) Requested the Centre for Energy Efficiency (EnEffect) in Sofia to incorporate the recommendations and proposals for activities and support that delegations made during the session into the Project Work Plan for 2005 by the end of 2004.
- (e) Encouraged the cooperation of RENEUER with the countries of Central and Eastern Europe, and Central Asia.

33. On Item 6 (Special Working Session on Renewable Sources of Energy), after discussion, the Steering Committee:

- (a) Expressed its appreciation to all the experts participating in the special working session for the views, active discussion and constructive proposals for the integration of work on renewable energy sources within the Energy Efficiency 21 Project;
- (b) Decided to incorporate renewable energies as a component of the Energy Efficiency 21 Project work programme and reflect this in the draft Project Plan 2003-2006;
- (c) Expressed its willingness to develop investment project proposals on renewable energies as well as energy efficiency projects for the consideration of the Energy Efficiency 21 Project investment fund managers;
- (d) Requested the Committee on Sustainable Energy to endorse the work on renewable energies within the Energy Efficiency 21 Project to be carried out in accordance with the agreed terms of reference (see Annex 1);
- (e) Requested the Committee on Sustainable Energy to provide additional resources from the regular budget in the form of one full-time professional staff member (P-4) to implement the Energy Efficiency 21 Project work on renewable energies.

## ANNEX

### TERMS OF REFERENCE PROMOTING RENEWABLE ENERGIES THROUGH EE 21 PROJECT

**Driving forces:** Political commitments of the UNECE member States to shift the energy sector towards a more sustainable pattern of development (Johannesburg Plan of Implementation; WEHAB proposals and partnership initiatives; Kyoto Protocol commitments; the identification of renewables by the UNECE Committee on Sustainable Energy as a priority sustainable policy issue in the UNECE region; the UNECE Declaration/Contribution to CSD-9 (ECE/ENERGY/43 and Annex I).

**Mandate:** UNECE Declaration Contribution to CSD-9 and programme of work (para.29). Kiev Ministerial Declaration, paras. 47 and 48; extended Bureau meeting of the UNECE Committee on Sustainable Energy, June 2003; decision of the Committee on Sustainable Energy, November 2003.

**General Objective:** To contribute to increasing the market share of RES in the current energy mix by promoting RES-market formation and developing RES-investment Projects. This promotion should be carried out in a balanced and convergent way with the energy efficiency sub-programme, with a view to pursuing the ultimate objective of reducing GHG emissions in UNECE transition economies, maximising the value of RES by using energy efficiency when feasible.

#### **Immediate Objectives**

**Objective 1:** Creation of a regional partnership network comprising public institutions, private sector and international partners. Ensure effective linkages with existing energy partners and initiatives. Facilitate communications to identify, develop, finance and implement RES-related projects. Learn and exchange information on planning and authorization procedures.

**Objective 2:** Identify and promote best practices regarding technologies, supportive policies, regulatory incentives, stable legislative framework and market instruments for renewable energies. Create enabling environment to boost local markets for renewables, both on-grid and off-grid. Encourage policymaking taking into account economic, environment and social impacts to set up national targets/timeframe for RES and voluntary commitments to reduce harmful energy subsidies. Provide assistance on initiatives for evaluation and promotion of the non-carbon benefits of renewable energy. Need to consider and quantify externalities and therefore present real investment opportunities

**Objective 3:** Promote investment opportunities through the use of innovative financing mechanisms, including supportive schemes, tradable emission permits, public/private partnership, Kyoto Protocol mechanisms. Promote appropriate effective financing tools that have been used in investing in energy efficiency projects.

**Objective 4:** Disseminate information, to raise public awareness within the financial communities of renewable energies by widely explaining, in a transparent way, their social and

environmental benefits. Relevant information could be downloaded from the website  
<http://www.unece.EE21.net>

**Area of implementation:** Eastern and South-eastern Europe, CIS countries.

**Working methods:** The secretariat suggested that activities on this issue should be carried out within the Energy Efficiency 21 Project. Before deciding if a separate Ad Hoc Group of Experts on Renewable Energy should be created, the Steering Committee confirmed that renewables would be considered within the future work of the existing EE 21 Project.

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